

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA IMMEDIATE

C O N F I D E N T I A L STATE 097463

TOSEC 256

FOLLOWING SENT ACTION PARIS , ROME, BONN, LONDON, TOKYO,
JIDDA, KUWAIT, TEHRAN, JAKARTA, LAGOS, THE HAGUE,
INFO TRIPOLI, EC BRUSSELS, OECD PARIS FROM SECSTATE MAY 21.

QUOTE SECSTATE 097463.

E. O. 11652 DECLAS, DEC. 31, 1979

TAGS: ENRG

SUBJECT: LIBYAN OIL NEGOTIATIONS

REF: STATE 96585

1. EXXON TELLS US OIL COMPANIES ARE KEEPING MAJOR OIL
IMPORTER GOVERNMENTS CLOSELY INFORMED ON CURRENT
CRITICAL STATE OF THEIR NEGOTIATIONS WITH LIBYA.
BRITISH GOVERNMENT HAS INQUIRED OF NUMBER OECD GOVERN-
MENTS IF THEY THOUGHT CONVENING OF SPECIAL HIGH LEVEL
GROUP MEETING WOULD BE USEFUL. IMPORTER GROUP ADDRESSEES
SHOULD THEREFORE BRIEF APPROPRIATE HOST GOVERNMENT
OFFICIALS, DRAWING FROM REFTEL AND MAKING FOLLOWING
POINTS:

A. NEGOTIATIONS ARE AT SERIOUS STAGE AND COULD MOVE
TO CONFRONTATION, WITH POSSIBILITY OF PARTIAL OR EVEN
FULL SHUTDOWN OF LIBYAN OIL PRODUCTION.

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B. CONSEQUENCES, IF COMPANIES ACCEPT 100 PERCENT LIBYAN CONTROL ON LARG TERMS, WOULD ALMOST CERTAINLY NOT BE LIMITED TO LIBYA BUT WOULD UNDO BOTH IRANIAN AND PARTICIPATION AGREEMENTS, SETTING OFF WHOLE NEW ROUND OF DEMANDS (POSSIBLY EVEN IN LIBYA ONCE AGAIN). RESULT WOULD BE YET HIGHER PRICES FOR CONSUMERS AND GREATER DEGREE OF CONTROL FOR PRODUCERS.

C. WE DO NOT KNOW IF COMPANIES' NEW PROPOSAL CAN INDUCE LARG TO CONSIDER TERMS WHICH WOULD BE COMPATIBLE WITH IRANIAN, SAUDI, OR NIGERIAN ONES. COMPANIES ARE NOT SEEKING CONFRONTATION WITH LARG, BUT ARE ANXIOUS TO AVOID HIGHER PRICES AND NEW INSECURITIES WHICH WOULD BE CAUSED BY NEW NEGOTIATING ROUND. IF PROPOSAL FAILS, HOWEVER, COMMON FRONT MAY ALSO FAIL IN VIEW OF INDEPENDENTS' DEPENDENCE ON LIBYA FOR BULK THEIR OIL SUPPLIES AND FACT THAT IN SUPPLY- SHORT WORLD MARKET THERE NO SURPLUS CRUDE CAPACITY AVAILABLE ELSEWHERE. MAJORS VERY CONCERNED THAT INDEPENDENTS ACCEPTANCE OF BETTER DEAL FOR HOST COUNTRY THAN RECEIVED IN PERSIAN GULF PARTICIPATION AGREEMENTS WOULD ALSO OPEN UP GENERAL NEW WAVE PRICE INCREASES.

2. IMPORTER GROUP ADDRESSEES REPORT HOST GOVERNMENTS REACTIONS TO LIBYAN SITUATION AND WHAT STEPS, IF ANY, THEY THINK MIGHT BE TAKEN BY CONSUMER GOVERNMENTS TO AVERT NEW INFLATIONARY ROUND OF NEGOTIATIONS. ALSO REPORT EMBASSY' S OPINION OF WHAT GOVERNMENT' S ATTITUDE MIGHT BE IF USG MADE REPRESENTATIONS IN SUPPORT OF CONSUMER EMBARGO IN EVENT OF EXPROPRIATIONS BY LARG (POINTS (A) AND (B) PARA 4 REFTEL), BUT WITHOUT DISCUSSION WITH HOST GOVERNMENTS.

3. WE WOULD FIND USEFUL INTERNAL JUDGMENTS EMBASSIES JIDDA, KUWAIT, TEHRAN, JAKARTA AND LAGOS RE THESE GOVERNMENT' S LIKELY VIEWS AND ATTITUDES TOWARD LIBYA' S NEW AGGRESSIVE NEGOTIATING STANCE ON PARTICIPATION. WOULD THEY AND CAN THEY EXERCISE A MODERATING INFLUENCE?

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4. FOR LONDON: UNLESS SITUATION DETERIORATES RAPIDLY (AND LATEST INFORMATION INDICATES THAT LARG AND COMPANIES STILL TALKING) WE DO NOT FORESEE NEED FOR SPECIAL MEETING PRIOR TO HIGH LEVEL GROUP SCHEDULED FOR JUNE 12. RUSH UNQUOTE RUSH

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